



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
POWELL COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 1998**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
POWELL COUNTY OFFICIALS .....	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS.....	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES .....	10
NOTES TO FINANCIAL STATEMENTS .....	12
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE .....	19
SCHEDULE OF OPERATING REVENUE .....	22
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES .....	29
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	41
COMMENTS AND RECOMMENDATIONS.....	45
APPENDIX A: CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	
APPENDIX B: CPA AUDIT- POWELL COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, INC	





## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Robert Ray Drake, County Judge/Executive

Honorable Forest Meadows, Former County Judge/Executive

Members of the Powell County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Powell County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Powell County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Powell County Industrial Development Authority, Inc. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Powell County Industrial Development Authority, Inc., is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Powell County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Powell County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky

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John P. McCarty, Secretary

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Our audit was performed for the purpose of forming an opinion on the financial statements of Powell County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, except for Appendix B which was audited by other auditors, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying Comments and Recommendations, included herein, which discusses the following area of noncompliance:

- The County Should Have A Written Agreement To Protect Deposits
- The County Should Not Make Expenditures In Excess Of Approved Budget

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 1999 on our consideration of Powell County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
August 11, 1999

POWELL COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Forest Meadows	County Judge/Executive
Jeff Stiles	County Attorney
David "Scotty" Frazier	County Clerk
Patty Wells	Circuit Court Clerk
Darren Farmer	Sheriff
Bill Thorpe	Jailer
Bobby Maloney	Property Valuation Administrator
Louise Ashley	County Treasurer
Carl Wells, Sr.	Coroner
Shirley Crabtree	Magistrate
Timmy Tipton	Magistrate
Harold Hurst	Magistrate
Dwight Smith	Magistrate
Rodney Barnes	Magistrate





STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



POWELL COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:	
Cash	\$ 20,216
Road and Bridge Fund:	
Cash	18,560
Due from Jail Fund	168,000
Jail Fund:	
Cash	9,819
Local Government Economic Assistance Fund:	
Cash	52,548
Due from General Fund	20,000
Due from Jail Fund	25,000
Forestry Fund:	
Cash	769
DES Fund:	
Cash	3,388
CSEPP Fund:	
Cash	13,218
Due from General Fund	1,482
Due from Road and Bridge Fund	9,812
Public Properties Corporation Fund:	
Cash	2,812
Investments	59,000
Payroll Account:	
Cash	6,230

Other Resources

Jail Fund:	
Amounts to be Provided in Future Years for Jail Capital	
Lease Obligations - Bond Principal Payments	210,283
Public Properties Corporation Fund:	
Amounts to be Provided in Future Years for Bond	
Principal Payments	<u>83,188</u>
Total Assets and Other Resources	<u><u>\$ 704,325</u></u>

The accompanying notes are an integral part of the financial statements.

POWELL COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 1998  
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund:

Due to Local Government Economic Assistance Fund (Note 7)	\$ 20,000
Due to CSEPP Fund	1,482

Road and Bridge Fund:

Due to CSEPP Fund	9,812
-------------------	-------

Jail Fund:

Due to Road and Bridge Fund (Note 7)	168,000
Due to Local Government Economic Assistance Fund (Note 7)	25,000
Capital Lease Obligation - Bond Principal Payments (Note 5)	210,283

Public Properties Corporation Fund:

Bond Principal Not Matured (Note 4)	145,000
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Payroll Account	6,230
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Fund Balances

Reserved:

Forestry Fund	769
DES Fund	3,388
CSEPP Fund	24,512

Unreserved:

General Fund	(1,266)
Road and Bridge Fund	176,748
Jail Fund	(183,181)
Local Government Economic Assistance Fund	97,548

Total Liabilities and Fund Balances	<u>\$ 704,325</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

POWELL COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,302,864	\$ 1,232,877	\$ 676,148	\$ 211,023
Transfers In	401,182	63,382	73,000	204,300
Borrowed Money	60,000	60,000		
Total Cash Receipts	<u>\$ 2,764,046</u>	<u>\$ 1,356,259</u>	<u>\$ 749,148</u>	<u>\$ 415,323</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,235,300	\$ 1,080,980	\$ 623,893	\$ 408,968
Transfers Out	401,182	258,182	123,000	
Bonds:				
Principal Paid	60,000			
Interest Paid	5,578			
Borrowed Money Repaid	60,000	60,000		
Jail Capital Lease Purchase:				
Repaid	6,456			6,456
Total Cash Disbursements	<u>\$ 2,768,516</u>	<u>\$ 1,399,162</u>	<u>\$ 746,893</u>	<u>\$ 415,424</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>\$ (4,470)</u>	<u>\$ (42,903)</u>	<u>\$ 2,255</u>	<u>\$ (101)</u>
Cash Balance - July 1, 1997*	<u>184,800</u>	<u>63,119</u>	<u>16,305</u>	<u>9,920</u>
Cash Balance - June 30, 1998*	<u>\$ 180,330</u>	<u>\$ 20,216</u>	<u>\$ 18,560</u>	<u>\$ 9,819</u>

\* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

POWELL COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 1998  
(Continued)

Local Government Economic Assistance Fund	Forestry Fund	DES Fund	CSEPP Fund	Public Properties Corporation Fund
\$ 152,864	\$ 1,515 500	\$ 9,624	\$ 13,218	\$ 5,595 60,000
\$ 152,864	\$ 2,015	\$ 9,624	\$ 13,218	\$ 65,595
\$ 94,198 20,000	\$ 1,530	\$ 25,731	\$	\$  60,000 5,578
\$ 114,198	\$ 1,530	\$ 25,731	\$ 0	\$ 65,578
\$ 38,666 13,882	\$ 485 284	\$ (16,107) 19,495	\$ 13,218 0	\$ 17 61,795
\$ 52,548	\$ 769	\$ 3,388	\$ 13,218	\$ 61,812

POWELL COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Powell County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation Fund and the Powell County Industrial Development Authority, Inc. as part of the reporting entity. The Powell County Industrial Development Authority, Inc. was audited by other auditors whose report has been included as Appendix B of this audit report.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Powell County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.



POWELL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1998  
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Powell County Fiscal Court: Industrial Development Authority which was audited by other auditors, however, it is not included as part of the basic financial statements, but is included as Appendix B for informational purposes.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under

POWELL COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 1998  
 (Continued)

Note 3. Deposits (Continued)

Kentucky law. The depository institution pledged securities of \$325,200. However, the depository institution's board of directors or loan committee did not approve the pledge agreement. In addition, the depository institution did not have a written agreement with the county.

Note 4. Long-Term Debt

Bonds outstanding Public Properties Corporation Fund are:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
August 1, 1998	\$ 6,888	\$
February 1, 1999	6,888	70,000
August 1, 1999	3,563	
February 1, 2000	<u>3,563</u>	<u>75,000</u>
Totals	<u>\$ 20,902</u>	<u>\$ 145,000</u>

Note 5. Long-Term Participation Agreement

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The Authority issued \$510,503 of revenue bonds at various interest rates (7% through 7.4%), of which the county has agreed to pay \$262,451 principal and a proportional share of interest on the issue. Revenue bonds outstanding as of June 30, 1998, totaled \$210,283.

<u>Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
1999	\$ 14,246	\$ 6,898
2000	13,758	7,371
2001	13,235	7,876
2002	12,676	8,416
2003	12,079	8,993
Remaining Years	<u>79,954</u>	<u>177,627</u>
Totals	<u>\$ 131,702</u>	<u>\$ 210,283</u>

Note 6. Insurance

POWELL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1998  
(Continued)

For the fiscal year ended June 30, 1998, Powell County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Transfers from Restricted Funds

During the fiscal year ended June 30, 1995, the county transferred restricted Road and Bridge Fund moneys to the Jail Fund. As of June 30, 1998, the amount due the Road and Bridge Fund was \$168,000.

During the fiscal years ended June 30, 1994 and June 30, 1995, the county transferred restricted Local Government Economic Assistance (LGEA) Funds to the General Fund and the Jail Fund. As of June 30, 1998, the General Fund owed \$20,000 and the Jail Fund owed \$25,000 to the LGEA Fund.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



POWELL COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 893,236	\$ 1,232,877	\$ 339,641
Road and Bridge Fund	498,758	676,148	177,390
Jail Fund	362,661	211,023	(151,638)
Local Government Economic Assistance Fund	98,699	152,864	54,165
Forestry Fund	1,316	1,515	199
DES Fund	10,600	9,624	(976)
CSEPP Fund	13,218	13,218	
Community Development Block Grant Fund	2,808		(2,808)
Total	<u>\$ 1,881,296</u>	<u>\$ 2,297,269</u>	<u>\$ 415,973</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 1,881,296
Add: Budgeted Prior Year Surplus			<u>123,109</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,004,405</u>

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SCHEDULE OF OPERATING REVENUE

POWELL COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes and Excess Fees</u>				
Sheriff:				
Taxes	\$ 329,527	\$ 328,012	\$	\$
Excess Fees - 1995	14,508	14,508		
Franchise Taxes	10,762	10,762		
County Clerk:				
Deed Transfer Tax	12,859	12,859		
Delinquent Taxes	7,077	7,077		
Excess Fees - 1998	42,424	42,424		
Tangible Personal Property Taxes:				
Other Counties	2,697	2,697		
County Clerk	60,970	60,970		
Occupational Employment Tax	505,223	505,223		
Totals	\$ 986,047	\$ 984,532	\$ 0	\$ 0
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grant - Coordinator Salary	\$ 9,624	\$	\$	\$
National Forestry Receipts	20,555		20,555	
Totals	\$ 30,179	\$ 0	\$ 20,555	\$ 0
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 71,943	\$	\$	\$ 71,943
Medical Allotments	4,585			4,585
Driving Under The Influence Fees	3,340			3,340
Housing State Prisoners	63,768			63,768
Court Costs, Jail Operation	7,768			7,768
Jail Contract with Other Counties	50,840			50,840
Work Release	745			745

POWELL COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1998  
(Continued)

Local Government Economic Assistance Fund	Forestry Fund	DES Fund	CSEPP Fund	Public Properties Corporation Fund
\$	\$ 1,515	\$	\$	\$
<u>\$ 0</u>	<u>\$ 1,515</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$ 9,624	\$	\$
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,624</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$

POWELL COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1998  
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u> (Continued)				
County Road Aid	\$ 437,453	\$	\$ 437,453	\$
Truck License Distribution	151,651		151,651	
Courthouse Rental - Administrative				
Office of the Courts	24,548	24,548		
Refunds:				
Legal Process Tax	108	108		
Drivers Licenses	1,200		1,200	
Dog Licenses	11	11		
911 Refund	59,348	59,348		
Severance Taxes:				
Coal	89,539			
Mineral	62,134			
Board of Assessments	200	200		
Grants:				
State Grants Area Development Fund	63,000		63,000	
Emergency Preparedness Program	13,218			
Totals	<u>\$ 1,105,399</u>	<u>\$ 84,215</u>	<u>\$ 653,304</u>	<u>\$ 202,989</u>
<u>Miscellaneous Revenue</u>				
Interest	\$ 9,982	\$ 1,110	\$ 2,156	\$
Jail Bond Fees	2,706			2,706
Sheriff Advertising	1,360	1,360		
County Rentals	8,600	8,600		
Recycling Fees	4,097	4,097		
Surplus Property	26,356	26,153	133	
Garbage Collection Fees	122,810	122,810		
Miscellaneous Items	5,328			5,328
Totals	<u>\$ 181,239</u>	<u>\$ 164,130</u>	<u>\$ 2,289</u>	<u>\$ 8,034</u>
Total Operating Revenue	<u>\$ 2,302,864</u>	<u>\$ 1,232,877</u>	<u>\$ 676,148</u>	<u>\$ 211,023</u>

POWELL COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1998  
(Continued)

Local Government Economic Assistance Fund	Forestry Fund	DES Fund	CSEPP Fund	Public Properties Corporation Fund
\$	\$	\$	\$	\$
89,539				
62,134				
			13,218	
\$ 151,673	\$ 0	\$ 0	\$ 13,218	\$ 0
\$ 1,121	\$	\$	\$	\$ 5,595
70				
\$ 1,191	\$ 0	\$ 0	\$ 0	\$ 5,595
\$ 152,864	\$ 1,515	\$ 9,624	\$ 13,218	\$ 5,595

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES





POWELL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	Final <u>Budget</u>	Budgeted <u>Expenditures</u>	Under (Over) <u>Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 47,900	\$ 47,900	\$
Deputy County Judge/Executive	24,720	24,720	
Secretaries	35,895	35,895	
Office Materials and Supplies	13,725	13,724	1
Office of County Attorney:			
Salaries-			
County Attorney	15,625	15,625	
Secretaries	12,451	12,450	1
Office Materials and Supplies	1,345	1,490	(145)
Office of Sheriff:			
Salaries-			
Sheriff	14,275	14,275	
Deputies	40,491	40,491	
Advertising Tax Bills	4,352	4,352	
Bond			
Data Processing	2,100	2,100	
Materials and Supplies	1,857	1,856	1
Postage	6,964	5,563	1,401
Office of County Coroner:			
Salaries-			
County Coroner	6,798	6,798	
Deputy Coroner	5,351	5,351	
Fiscal Court:			
Magistrates-			
Salaries	33,000	33,000	
Travel	1,789	1,778	11
Fiscal Court Clerk Salary	2,892	2,892	

POWELL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES  
Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Office of Property Valuation Administrator:			
Conference	\$ 200	\$ 200	\$
Telephone	400	363	37
Statutory Contribution	9,521	9,521	
Office of Board of Assessment Appeals:			
Per Diem	800	300	500
Office of County Treasurer:			
County Treasurer Salary	23,226	23,226	
County Law Library:			
Law Librarian Salary	18		18
Elections:			
Per Diem-			
Election Commissioners	740	740	
Election Officers	3,350	3,320	30
Printing Forms	4,746	5,603	(857)
Polling Places	150		150
Election Tabulators	180	180	
Courthouse:			
Janitor Salary	22,681	23,195	(514)
Utilities	14,296	15,040	(744)
Improvements or New Construction	7,000	9,661	(2,661)
Materials and Supplies	2,551	2,302	249
Telephone	16,554	15,553	1,001
Other County Properties:			
Repairs	14		14

POWELL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES  
Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Protection to Persons and Property</u>			
County Fire Department:			
Salaries	\$ 15,000	\$ 15,000	\$
Equipment	14,991	13,149	1,842
Disaster and Emergency Services:			
Salaries-			
Other Salaries	55,770	68,580	(12,810)
Dispatch Service	28,367	30,609	(2,242)
<u>General Health and Sanitation</u>			
Sanitary Landfill:			
Salaries	51,322	61,865	(10,543)
Consultant Fees	2,309	2,298	11
Disposal	65,200	83,873	(18,673)
Telephone	686	686	
Utilities	1,500	3,147	(1,647)
Material and Supplies	9,666	10,467	(801)
Recycling:			
Dues	2,200	2,200	
<u>Social Services</u>			
Senior Citizens Program:			
Contribution	20,000	20,000	
Utilities	4,000	4,777	(777)
Cemeteries and Memorials:			
Pauper Burials	68		68
<u>Debt Service</u>			
Other County Liabilities:			
Lease-Purchase Agreements	61,155	59,985	1,170

POWELL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES  
Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Administration</u>			
General Services:			
Audits	\$ 31,000	\$ 25,967	\$ 5,033
Insurance-			
Errors and Omissions	3,000	5,000	(2,000)
Equipment	3,500	3,500	
Liability	1,906	1,601	305
Property	14,000	13,972	28
Bond Premium	3,000	5,136	(2,136)
Dues-			
Judge/Magistrate	2,211	2,711	(500)
Bluegrass ADD	2,200	2,200	
KACO	1,000	1,000	
NACO	350	350	
Miscellaneous	17,998	37,332	(19,334)
Fringe Benefits:			
County Contributions-			
Social Security	45,000	47,540	(2,540)
Retirement	35,000	49,009	(14,009)
Health Insurance	68,000	108,728	(40,728)
Worker's Compensation	17,000	20,834	(3,834)
Unemployment Insurance	1,000		1,000
Total Operating Budget	\$ 956,356	\$ 1,080,980	\$ (124,624)
Other Financing Uses:			
a) Borrowed Money			
Principal	63,465	60,000	3,465
Total General Fund	\$ 1,019,821	\$ 1,140,980	\$ (121,159)

POWELL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES  
Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u>			
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	\$ 17,844	\$ 17,806	\$ 38
Telephone	804	804	
Road Maintenance:			
Road Labor Salaries	140,011	110,920	29,091
Asphalt	56,916	143,084	(86,168)
Crushed Stone and Gravel	8,500	9,898	(1,398)
Diesel Fuel	23,500	25,048	(1,548)
General Construction Materials	96,800	96,800	
Machinery and Equipment-			
Repairs	9,000	28,426	(19,426)
Machinery and Equipment	40,600	50,133	(9,533)
New Road Machinery	309		309
Prisoner Lunch	2,256	2,256	
Signs	1,155	1,155	
Tile	2,000	7,056	(5,056)
Utilities	1,928	1,928	
Miscellaneous	13,000	19,499	(6,499)
<u>Debt Service</u>			
Bond:			
Interest	13,898	13,897	1
<u>Administration</u>			
General Services:			
Insurance -			
Property	13,000	13,000	
Vehicle	8,000	8,000	
Forestry Receipts to School	10,102	10,278	(176)
Contingent Appropriations:			
Reserve for Budget Transfers	5,003	3,000	2,003

POWELL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES  
Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Fringe Benefits:			
County Contributions-			
Retirement	\$ 7,400	\$ 10,247	\$ (2,847)
Social Security	5,500	9,254	(3,754)
Health Insurance	20,000	25,037	(5,037)
Worker's Compensation	14,541	16,367	(1,826)
Unemployment Insurance	3,000		3,000
Total Operating Budget	\$ 515,067	\$ 623,893	\$ (108,826)
Other Financing Uses:			
b) Transfer to Public Properties			
Corporation Fund	60,000	60,000	
Total Road and Bridge Fund	\$ 575,067	\$ 683,893	\$ (108,826)

JAIL FUND

Protection to Persons and Property

Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 45,278	\$ 45,278	\$
Jail Personnel	104,405	135,401	(30,996)
Operations-			
Building Maintenance	2,100	2,505	(405)
Cleaning Supplies	1,336	4,968	(3,632)
Contracts with Other Counties-			
Juveniles	46,914	34,161	12,753
Equipment	250	200	50
Equipment Repairs	700	642	58
Food	34,500	41,682	(7,182)
Furniture and Fixtures	30	30	
Jail Linens	515	512	3
Office Supplies	185	482	(297)
Prisoner Clothing	50		50
Pest Control	175	120	55

POWELL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES  
Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND (Continued)</u>			
<u>Protection to Persons and Property</u> <u>(Continued)</u>			
Office of Jailer: (Continued)			
Operations- (Continued)			
Routine Medical	\$ 9,800	\$ 14,620	\$ (4,820)
Utilities	13,500	18,973	(5,473)
Staff Training	500		500
Staff Travel	350	341	9
Telephone	5,102	6,115	(1,013)
Vehicles	9,519	1,000	8,519
Housing Prisoners - Other Counties	20,586	18,542	2,044
Miscellaneous Operating Expense	870	1,287	(417)
<u>Debt Service</u>			
Jail Capital Lease Obligations:			
Interest	13,924	14,919	(995)
<u>Administration</u>			
General Services:			
Insurance -			
Building	800	800	
Liability	6,500	6,500	
Association Dues			
Contingent Appropriations:			
Reserve for Budget Transfers	3,682		3,682
Fringe Benefits:			
County Contributions-			
Retirement	11,000	13,550	(2,550)
Social Security	11,597	12,797	(1,200)
Health Insurance	22,764	27,795	(5,031)
Worker's Compensation	3,869	3,869	
Unemployment Insurance	1,879	1,879	
Total Operating Budget (Carried Forward)	\$ 372,680	\$ 408,968	\$ (36,288)

POWELL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES  
Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND (Continued)</u>			
Total Operating Budget (Brought Forward)	\$ 372,680	\$ 408,968	\$ (36,288)
Other Financing Uses:			
c) Jail Capital Lease Obligations:			
Principal	7,456	6,456	1,000
Total Jail Fund	\$ 380,136	\$ 415,424	\$ (35,288)
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>Roads</u>			
Road Maintenance:			
Asphalt	\$ 13,000	\$ 12,432	\$ 568
Crushed Stone and Gravel	64,000	60,909	3,091
<u>General Health and Sanitation</u>			
Soil Conservation:			
Contribution	9,857	9,857	
<u>Parks and Recreation</u>			
County Museum:			
Contribution	1,500	1,500	
Airport:			
Contribution	9,500	9,500	
<u>Administration</u>			
General Services:			
Coalition Dues	250		250
Contingent Appropriations:			
Reserve for Budget Transfers	14,474		14,474
Total Local Government Economic Assistance Fund	\$ 112,581	\$ 94,198	\$ 18,383



POWELL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES  
Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>FORESTRY FUND</u>			
Fire Protection	\$ 1,600	\$ 1,530	\$ 70
<u>DES FUND</u>			
Emergency Disaster:			
Consultant Salary	\$ 12,854	\$ 12,854	\$
Equipment	9,306	6,439	2,867
Supplies	2,220	1,724	496
Telephone	5,715	4,714	1,001
Total DES Fund	\$ 30,095	\$ 25,731	\$ 4,364
<u>CSEPP FUND</u>			
Emergency Preparedness Program:			
Equipment	\$ 12,218	\$	\$ 12,218
Supplies	1,000		1,000
Total CSEPP Fund	\$ 13,218	\$ 0	\$ 13,218
<u>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u>			
Snow Recovery	\$ 2,808	\$ 0	2,808
Total Operating Budget - All Funds	\$ 2,004,405	\$ 2,235,300	\$ (230,895)
Other Financing Uses:			
a) Borrowed Money:			
Principal	63,465	60,000	3,465
b) Transfer to Public Properties Corporation Fund	60,000	60,000	
c) Jail Capital Lease Obligations:			
Principal	7,456	6,456	1,000
TOTAL BUDGET - ALL FUNDS	\$ 2,135,326	\$ 2,361,756	\$ (226,430)

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Robert Ray Drake, County Judge/Executive  
Honorable Forest Meadows, Former County Judge/Executive  
Members of the Powell County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Powell County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated August 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Powell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under Government Auditing Standards:

- The County Should Not Make Expenditures In Excess Of Approved Budget

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Powell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Robert Ray Drake, County Judge/Executive  
Honorable Forest Meadows, Former County Judge/Executive  
Members of the Powell County Fiscal Court  
Report On Compliance And On Internal Control Over Financial Reporting Based On  
An Audit Of Financial Statements Performed In Accordance With Government  
Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 11, 1999

## COMMENTS AND RECOMMENDATIONS





POWELL COUNTY  
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

NONCOMPLIANCES

1) The County Should Have A Written Agreement To Protect Deposits

The county maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The county had a bank balance of \$176,155; FDIC insurance of \$146,440; and securities pledged of \$325,200 as of June 30, 1998. Even though the county obtained pledged securities of \$325,200, the pledge agreement was not approved by the board of directors of the depository institution or its loan committee nor evidenced by a written agreement. We recommend the county enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*Management's Response:*

*Bank is going to present this to the board at their August meeting.*

2) The County Should Not Make Expenditures In Excess Of Approved Budget

During the audit, we found that the General Fund Budget was overspent by \$121,159, Road Fund budget was overspent by \$108,826, and Jail Fund was overspent by \$35,288, making the total budget overspent by \$265,273. KRS 68.300 – Expenditures in Excess of Budget Void and Illegal - Any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. KRS 68.280 - Amendment of Budget to Provide for Expenditure of Unanticipated Income – The fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby. The amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget. KRS 68.280 provides for budget amendments, we recommend that the County utilize budget amendments in future to avoid overspending the budget.

*Management's Response:*

*The Fiscal Court will, to the best of its ability, see that all appropriate budget amendments required will be done, so that this does not reoccur.*

PRIOR YEAR FINDINGS

None

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**CERTIFICATION OF COMPLIANCE – LOCAL  
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**POWELL COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

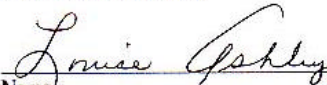
Appendix A



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
POWELL COUNTY FISCAL COURT

The Powell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Name  
County Judge/Executive

  
Name  
County Treasurer



CPA AUDIT

POWELL COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, INC.

